

1953
Box 2

IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947—PART V

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1953 No. 134)

TO CONFIRM THE
BRITISH TRANSPORT COMMISSION
(PASSENGER) CHARGES
SCHEME, 1953

THURSDAY, 23RD APRIL, 1953

TWENTY-FOURTH DAY

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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

THURSDAY, 23rd APRIL, 1953

PRESENT:

HUBERT HULL, Esq., C.B.E. (*President*)

A. E. SEWELL, Esq.

J. C. POOLE, Esq., C.B.E., M.C.

Mr. HAROLD I. WILLIS, Q.C., Mr. E. S. FAY, and Mr. KENNETH POTTER (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. H. V. LLOYD-JONES, Q.C., Mr. LEON MACLAREN, and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr) appeared on behalf of the London County Council.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. J. RAMSAY WILLIS and Mr. CHRISTOPHER HODSON and Mr. W. J. GLOVER (instructed by Sir Clifford Radcliffe, C.B.E., Solicitor and Clerk to the Middlesex County Council) appeared on behalf of the following County Councils: Middlesex, Berkshire, Buckinghamshire, East Sussex, Essex, Hertfordshire, Kent and Surrey.

Sir SHIRLEY WORTHINGTON-EVANS (instructed by Mr. Desmond Hepp, Comptroller and City Solicitor) appeared on behalf of the Corporation of London.

Mr. J. RAMSAY WILLIS and Mr. W. J. GLOVER (instructed by Mr. W. O. Dodd, Deputy Town Clerk) appeared on behalf of Brighton Corporation.

Mr. LEON MACLAREN (instructed by Messrs. Blatchfords) appeared on behalf of the London Printing and Kindred Trades Federation.

Mr. G. R. ROUGIER (instructed by Mr. Archibald Glen, Town Clerk) appeared on behalf of Southend-on-Sea Corporation.

Mr. G. R. ROUGIER appeared on behalf of County Borough of Southend-on-Sea Railway Travellers' Association.

Mr. D. J. TURNER-SAMUELS (instructed by Mr. W. H. Thompson) appeared on behalf of London Trades Council.

Mr. GEOFFREY RIPPON (instructed by Mr. R. H. Buckley, Town Clerk) appeared on behalf of East Ham County Borough Council.

Mr. GEOFFREY RIPPON (instructed by Mr. G. E. Smith, Town Clerk) appeared on behalf of West Ham County Borough Council.

Mr. GEOFFREY RIPPON (instructed by Mr. G. E. Smith, Town Clerk) appeared on behalf of South-West Essex Traffic Advisory Committee.

Mr. C. OSMOND TURNER (instructed by Messrs. Carpenter, Wilson & Smith) appeared on behalf of London Passengers' Association.

Mr. GERALD W. REYNOLDS represented London Federation of Trades Councils.

Miss DOROTHY D. FORSTER represented the Walthamstow Trades Council.

Mr. J. W. SYKES represented Edmonton Trades Council.

Mr. F. A. RULER represented the Federation of Residents' Associations in the County of Kent.

Mr. H. S. VIAN-SMITH represented The Association of British Chambers of Commerce.

Miss H. C. HART represented The National Association of Women Civil Servants.

Mr. N. J. LEWISOHN represented Whyteleaf & Kenley Residents' Association.

Mr. C. M. HAMILTON represented The Accountant-General's Department, Civil Service Clerical Association (Bickley Branch).

Mr. HYMAN FRANKEL represented The National Union of Bookbinders.

Mr. J. F. PLEYDELL represented Pitsea, Vange & District Resident Ratepayers' Association.

Mr. STANLEY MAYNE represented the Institution of Professional Civil Servants.

Mr. D. KELLY represented the South Essex Branch of the Communist Party.

Mr. J. E. MORRISH represented the Post Office Engineering Union.

Mr. J. REID represented the London North and London South District Committees of the Amalgamated Engineering Union.

Mr. ALEXANDER HALLIDAY represented the North London District of the Amalgamated Union of Operative Bakers, Confectioners and Allied Workers.

Mr. D. J. D. WELLUM represented the Benfleet & District Railway Travellers' Association.

Mr. S. M. NEUFELD represented the Students' Council, the Polytechnic, Regent Street.

Mr. J. MOSS represented the National Union of Furniture Trade Operatives (London District Committee).

Mrs. E. A. HUNT represented the Association of Scientific Workers (London Area Committee).

Mr. W. TROTT, representing the Amalgamated Engineering Union, Deptford, No. 2 Branch.

Mr. A. A. DRIVER, representing the Students' Union of the London School of Economics.

Mr. M. GRAHAM, representing Debden Welfare Advisory Committee.

Mr. LESLIE STANNARD representing the Deptford Trades Council.

(*Mr. Harold Willis*): Both Sir Reginald Wilson and Mr. Valentine are here to answer questions, Sir. I do not know in which order you would prefer to hear them. Would you prefer Sir Reginald first?

(*President*): I think so.

(*Mr. Harold Willis*): If you please.

Sir REGINALD HOLMES WILSON recalled.

7071. (*President*): Sir Reginald, I think it would probably be convenient, rather than that we should ask you question after question, at any rate in the first instance, that you should take the matters which we indicated on the Twenty-second Day as being the matters on which we should like to have further assistance from you, and tell us what you think about them.

The first matter was that we were anxious to know what were the considerations which, in your view, made it "appropriate that the London Transport Services' contribution to Central Charges in 'Y' year should be £5.5m." Would you tell us in whatever way you like what you have to say on that topic?—Well, Mr. President, may I remind you first of the general approach that

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we adopt to this matter. I think every one of the Annual Reports of the Commission so far has made some reference to it, and if I might just perhaps mention those references it might be useful. In the 1948 Report, paragraphs 63 to 66 deal with the matter. In the 1949 Report, paragraphs 54 and 55. In the 1950 Report, paragraphs 59 and 60, and in the 1951 Report paragraphs 40 to 42.

Now, Sir, we regard the assessment of the contributions which the Commission ought to receive from each of the several activities as being in the first instance, at any rate, a matter for the exercise of financial and commercial judgment coupled, of course, with a sense of balance and fairness. It is in effect a question of asking ourselves what dividend we think is reasonable from a particular part of our investment and our activities. It is not really a question of asking ourselves what is the proper allocation of interest. I use the word "dividend" in order to bring home that difference of approach.

After all, Mr. President, if we were financed by Equity capital we would not get very far if we merely proceeded by attempting to allocate interest. There would not be any interest to allocate. We should have to proceed by other means, to ask ourselves to assess what is a reasonable contribution. From what I have called the investment and the activity. It is not merely the investment that we have to consider. It is the volume, nature and opportunity presented by the activity as well.

We have said that taking one year with another, and I emphasise that—taking one year with another—a reasonable contribution from London Transport would be £5½m. Now why did we arrive at a figure of £5½m.? There are a great many considerations that we had to take into account. One of them, of course, is the capital invested, but there are also other factors which affect the position. It is not completely relevant to ask oneself what yields would be obtainable from similar investments elsewhere; what opportunities there are, as I said before, of putting the investment to proper use. At the same time, however, in the case of London Transport, one has to remember that the traffics are virtually a monopoly, and it is important to see therefore that the possibilities of yield are exploited with due restraint, and also as a matter of general equity between the activities—all the activities—that the yield target fixed for London Transport is not out of all relation to the targets fixed for the other activities of the Commission taken as a whole.

I said that the capital investment was one of the factors which one had to take into account and that, of course, does bring in the question of interest—obviously a very important factor. I am not decrying its importance as a factor. I say only that it is one factor among others. It has been suggested at this Inquiry that we should first of all locate the interest charge on what has been described as an accurate basis, in order to see whether the yield is too great or too little.

Now, it is an exercise of some value in itself but we should not attach too much weight to it. It is just not true to say that the interest charge appropriate to each single part of the Commission's activities is a definitely ascertainable fact; that, having done some mathematical calculations, we then have what is called an accurate figure, and the reason for that, of course, is that the assumptions on which these so-called accurate calculations are made are themselves very vulnerable. It is a question of finding the basis, and no single firm exclusively acceptable basis exists.

At one moment we are told that the proper way to fix the interest charge in relation to its activity is to take the book values as a basis. The next moment we are told that, of course, it would be much better if we would take the real values, and then, a little while later, it is suggested that we could take the book values less some specifically allocated maintenance reserves, and then even again it is suggested we should take the book values less some by no means specifically allocated displacement reserves.

I do not think anybody at this Inquiry has mentioned current replacement value, but curiously enough that is the basis which is often adopted in testing the dividends required by bus companies outside London. It is a possible basis. Of course, we cannot do it inside London because we have the civil engineering expenditures like the tubes; we have the docks, and the permanent

way outside London, and you cannot ascertain the replacement cost of these civil engineering works in the same way that you can ascertain the probable replacement cost of a bus. The civil engineers could probably make some estimate, but it would be no more than an estimate, and on top of that you would be faced with the fact that in reality the civil engineering works never would be replaced in that form.

Finally, Mr. President, when we suggest that the price paid for an undertaking in the fairly recent past might be a fairer indication of the asset values involved, we are told that that price is related only to stock exchange values and that stock exchange values themselves have no relevance to the real values of the physical assets. Now, there you are. We have a considerable choice, and the choice is so considerable that I myself would not base myself exclusively on any one of them. They are all exceedingly vulnerable and they change from year to year for reasons which should not necessarily involve a change in the amount of the fair contribution required. So we say that we will take all the relevant factors together and not try to distinguish on the one hand between the unreliable, vulnerable, variable, interest allocations which are offered to us, and on the other the amount attributable to the remaining factors. The remaining factors are, of course, invulnerable, but so virtually is the interest calculation itself, as we have just seen.

To come to these other factors for a moment. We point out first that the target of yield for the undertaking of the London Passenger Transport Board, which was a smaller undertaking than the present undertaking of the London Transport Executive, was about £6½m. That was the target, and the L.P.T.B. undertaking had not, of course, the common services administration; in other words, it was exclusively a target for capital yield including nothing for central administration.

Secondly, we point out that the price paid for the net assets vesting in the London Transport Executive throughout the Commission on 1st January, 1948, was £170m. That £170m. is, you will remember, Mr. President, the £130m. for the exchange of the Board stocks, about £30m. for a liability we took over to the Electric Finance Corporation, and £10m. for the value of the lines which were transferred to London Transport on that date.

Now on that £170m. an interest charge at 3 per cent. plus ½ per cent. for redemption would by £5.5m. That is not how we got at the figure, but it works out at £5.5m. It is true that that figure of £170m. included a considerable sum of cash which was taken over. You will remember the Trust Funds. Those Trust Funds, however, have now been almost entirely resolved in the provision of further capital assets for London Transport and the overhauling of arrears and maintenance.

So when we come to 1953, or when we come to "Y" year, we can forget about the cash which was part of what we received for the consideration of £170m. That has gone. In the early years if that cash had been left with the London Transport Executive it would have earned some interest; it would have earned a short-term rate of interest—I suggest not more than 1½ per cent.—so that would have meant an additional revenue there beginning at about £600,000 in 1948 and scaling down to nil in "Y" year.

There it is, an absolutely minimum rate of 3½ per cent. on £170m. is £5.5m.

Thirdly, one would normally expect a bigger yield from road passenger transport undertakings than 3 per cent. If one were considering what dividend one required on one's investment from a bus company one would want more than 3 per cent., and, indeed, when we acquired the Tilling and Scottish Bus Groups on the terms laid down in the 1947 Act, we bought them on terms which were very much better than the 3 per cent. basis.

May I remind you, Sir, we have never publicly fixed a target for the early years 1948, 1949, and I have never fixed a target for those years in isolation. All I have done is to say £5.5m., taking one year with another, and that is a very different thing from saying that £5.5m. would be right for 1948 and 1949 if there were no other years to consider at all. It is quite possible that if one

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had been fixing a target for 1948 and 1949 one would have considered fixing a rather higher figure that £5.5m. I know we had rather higher figures in our mind at that time, and for good reasons. I think if ever road transport might be expected to yield a more generous dividend that was the period; there were the smaller fleets at work with lower capital values; they had got exceedingly heavy loadings owing to petrol rationing and the high consumer spending power. All these things combined to produce exceedingly favourable circumstances. I think one would have been entitled to expect a much bigger yield in those years taken in isolation than only 3½ per cent.

It was in 1950 that we first named a target for London Transport in public. By that time it was already clear that the exceptional conditions of 1948 and 1949 would not last. Moreover, when we came to 1953 we had to fix new fares on an assimilated basis for the London area as a whole instead of London Transport. In the two earlier years the fares in operation had not been fixed or suggested by the British Transport Commission at all. They were the fares that we inherited, just as we inherited the level freight charge on British Railways. One of the inheritances proved fairly profitable and one of them proved to be a very bad loss, and it was only at the beginning of 1950, as the Tribunal will remember, that we were able to begin to rectify the position so far as British Railways were concerned.

Having rectified the position so far as British Railways are concerned, that again enabled us to take a rather fresh view of the yield which would be required from London Transport. Certainly in the years 1948 and 1949 I would have argued that the profitability of London Transport which we had inherited was only in some slight measure offset by the "lossibility" on British Railways which he had inherited. Anyway in 1950 we could start afresh and take a longer view, and we looked for a figure which would be reasonable if kept stable during a period of future years, assuming no change of circumstances, and we looked moreover for a figure which would not only be reasonable in relation to London Transport by itself but which would stand some sort of comparison on such tests as were possible with the targets which we were setting for other activities, and which would bear comparison also with the total requirements of the Commission.

The tests which we suggested with all their failings—and I do not think we omitted to point out their failings—were, first, the ratio of the book values of the assets; secondly, the ratio of the working expenses, and, thirdly, the ratio of the staff employed as between London Transport on the one hand and the rest of the Commission on the other. All these ratios worked out somewhere between 10 per cent. and 11 per cent. As we said at the time we would not wish to base our service exclusively on any one of those tests, even though they were nothing but tests. Luckily they all came to the same figure, I remember saying, and they were between 10 per cent. and 11 per cent., and we took 10½ per cent., and that was how the first target was tested. It was not fixed that way, but it was tested that way, and the figures produced at the 1950 Inquiry as a test were 10½ per cent. or £53m. which gave about £5½m. It actually gave just slightly more but that was the test.

That seemed all right to us for "X" year. It was lower than the L.P.T.B. requirement of the 6½ per cent.; that is to say, London was getting a real benefit out of the 1947 Act at any rate in that respect. It was close to the interest we actually had to pay on the price of the undertaking, and the price was only two years old at that time and therefore still had some relevance. Looking into the future we could see that London Transport would involve the Commission in further capital expenditure, but we could also see we could hope for relief by way of termination of the freight rebate scheme. We thought therefore that the 10½ per cent. would remain fairly stable and also that the total financial requirements of the Commission would tend to remain fairly stable, and, Sir, looking ahead for a period of years we did not think, if we fixed £5½m. as a fair contribution or dividend, that it was likely that we would have to upset it.

Since the 1950 Inquiry, Mr. President, I do feel that the fact that we at any rate are trying to fix a yield target

and not primarily an interest allocation on some precise but vulnerable formula—that factor I think has been slowly pushed somewhat into the background. That is why I have taken up so much of your time, Mr. President, in recalling all these things to mind. However, taking the tests for what they are worth we still find that they come out to something like the same figure. The ratio of the capital asset over the book values, for example, is still between 10 per cent. and 11 per cent. The staff ratio I think is up towards 11 per cent., but I see no reason for saying that the weighted average of the test is any different from 10½ per cent., and that yields £5.7m. As I say, this is again only a test; it is not the way the target is fixed. We said £5½m. is a fair yield; the test comes out at £5.7m.

7072. Do working expenses still fall within the same upwards and downwards ratio?—May I give you that in a moment, Sir? Working expenses ratio in a future year we estimate to be 10.8 per cent. It is really rather extraordinary, Sir, how these things remain so steady.

When these tests come out at £5.7m. for "Y" year, the difference between that and the £5½m. which we adopted, taking one year with another, is certainly not large enough to warrant changing what we decided was a reasonable target.

There is one point more, Sir, perhaps you would like me to mention. One might say: what about the intervening years? Now there the ratios, the testing ratios, have remained between 10 per cent. and 11 per cent., but the total central financial burden has lightened a little owing partly to the continuance of interest credits which we did not allow for in the £53m. which we mentioned in 1950, because we did not think they were going to be much in the way of receipts, but chiefly—and this is the main thing—chiefly because the cancellation of the freight rebate payments was not immediately compensated by increased interest payments on new borrowings. There was a delay in borrowing on the funded basis. You will remember the discussion which took place at the 1951 Inquiry.

7073. (Mr. Poole): You mean the short-term loans?—Yes, Sir, the short-term loans on which we borrowed at a very cheap rate, which is an advantage for a very short time. We undoubtedly would have been better to have borrowed rather more on a longer term rate. However, the high rate did mean there was a slight benefit in the year immediately following.

7074. I do not want to interfere with your train of thought, but you have just reached a point where I would like to ask you one question. The point you are discussing now does lead to that question of a deficit applicable to London. With regard to this £9½m., do you attach any importance to that?—Yes, Sir.

7075. You do?—Yes I do, but that does not mean to say, however, that one has chosen this particular moment to ask that something should be done to meet the deficits of the Commission as a whole. I attach importance to that £9m. because it is part of the Commission's holding, and something will ultimately have to be done about it. I cannot possibly say that I do not attach importance to it.

7076. You naturally attach importance to the £39m.—you cannot help doing that—but I was wondering whether you attach particular importance to allocating a share of that to London?—Not at this moment, but supposing the conditions prevailing in 1948 and 1949 return and we have complete enclosed petrol ration; we had no goods in the shops, wages were rising and everybody had plenty of money, with the result that the same traffic conditions were reproduced, and that London Transport suddenly began to find that they were producing a high level of net traffic receipts, I might say then: Well, that is some compensation for the fact that deficits have been accruing in the past years; in other words, I would not immediately run round and try to reduce the fares because London had suddenly become more profitable. That is why we say, taking one year with another, the figure is £5½m.

You may just like to have the figures of what the test would work out at. Instead of the £5½m. for 1950, 1951 and 1952, I emphasise again that these are tests; they are not figures I have adopted. They are merely things I look to, to see whether they are somewhere near the £5½m., because if they suddenly changed enormously, they

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would put me on enquiry as to whether some of the assumptions underlying the £54m. ought not to be reviewed. In 1950 the test figure of 10½ per cent. of the actual Central Charges of the British Transport Commission was £5.43m. In 1951, in the circumstances I have just explained, it was £5.04m.; in 1952 it was back to £5.25m., and in "Y" year, as I have said before, it is up to £5.70m. I think those are all fairly close to the target set, except perhaps in 1951. I do not think the result of any of those tests would involve us in reconsidering the target which we have set at £5½m. for London Transport, taking one year with the other. I might add that this target is used for our own internal purposes as well as for the purpose of price fixing; after all, we have to have targets for internal administration as well, and that £5½m. is that figure.

I am afraid I have been rather too long on that, but it is, in my view, the one thing which is open for debate here. It is a thing which one expects to debate and wants to debate. It is a very difficult point; it involves matters of judgment. It is the one thing I would expect to have to debate, and the one thing that I want, so far as possible, to have understood, if I may say so, not only by the Tribunal but by the Objectors. We do not want them to feel we have just taken that £5½m. out of the air. There is no question of *ipse dixit* in the matter.

(President): The second matter was really a particular form of the general question put first: Namely the moud adopted by Mr. Hill in his table CC/H. 112A.

(Mr. Harold Willis): I think there is a mistake in the shorthand note, Sir. You did say 112A, I understand?

7077. (President): Yes.—Well Sir, assuming that it is 112A—

7078. (President): I hope you have not been considering table 112, because that of course raises the difference between the two; that raises the question as to whether it is right or wrong in adopting the fixed assets method of calculation, and it raises the question as to whether or not the Displacement Account figure for that should, or should not, have been deducted.—Yes.

7079. You knew I meant table 112A?—Yes, Sir.

7080. Well, Table CC/H. 112A is the table I should like to hear about.—Yes, Sir. May I first of all point out that your question, as it is put down in the note, asks me whether I agree that Table 112A is a correct method for arriving at the appropriate contributions. The answer to that straight away is: No, I do not think it is a method at all; at the very best it could be a test—one of many tests.

Perhaps I may deal with it on its validity as a test. I think that Table CC/H. 112A is even less valid a test than table CC/H. 112. As you pointed out, Sir, Table CC/H. 112A brings the Assets Displacement Account into the calculation and in effect it assumes that the Assets Displacement Account should be apportioned over the activities *pro rata* to the book value of the assets of each activity. I will not raise all the questions again as to what "book value" means; we will leave that on one side. The point I do not understand is why the Assets Displacement Account should be deducted from the assets of each activity on a *pro rata* basis.

By doing that, of course, the ratio of 10.59 per cent. in Table CC/H. 112 is reduced to 9.51 per cent. and in Table CC/H. 112A; but the Assets Displacement Account has no relation to the total of the book values of the Commission as a whole. One has to ask oneself what the Assets Displacement Account is, and to do that one has to ask oneself how it originated.

As I think we have explained before, on the 1st January, 1948, the Assets Displacement Account was set up and it was the difference between, briefly, the prices paid for the undertakings, and the book values attributed to the assets. That figure of £166m. was a net figure. Before we arrived at the figure of £166m., a sum of £27m. had already been used to write off certain intangible assets in the books of the London Passenger Transport Board.

Supposing we had not done that, and supposing we had said: "We will leave these where they are", that £27m. would now appear in the goodwill column of the appropriate schedule to the annual accounts of the British Transport Commission.

7081. (Mr. Poole): That £27m. was all London, was it?—Yes, all London, Sir. If we had done that, the ratio

of London Transport assets to the remainder would be 12½ per cent. It is only by doing this slightly different form of presentation that we would increase the ratio to 12½ per cent., which would mean, if we were fixing the contributions on this kind of basis, with which, of course, I do not agree at all, we should then be wanting a sum of £1.1m. additional for London. That, of course, assumes that none of the Assets Displacement Account was appropriate to London at that time, which indeed it was not; it had not produced it.

Supposing, however, we say that we will not go back to the history of the matter, that we will try to forget that, there is another possibility; we could say that if one is determined to deduct the Assets Displacement Account from the various assets—the various categories of assets—as shown in our tables—we could say in that case it should be deducted according to probable user; but there is no point whatever in deducting it according to the ratio of the existing book values—in other words, deducting *pro rata*.

Now let us see where we get to if we deduct it on the basis of probable user. Ignoring this ratio and ignoring the fact that London Transport had £27m. out of the Assets Displacement Account on the 21st January, 1950, let us suppose that in addition to the obsolescent trams which have been written off, there is something like £5m. worth—or rather I should say there was; it is rather important—of obsolete assets, demonstrably already obsolete on the 21st January, 1948, among the assets handed to the London Transport Executive. That would give London £5m. on that basis; it certainly could not be more than that figure because, on the whole, the undertaking was absolutely modern compared with British Railways, the docks, canals and many other properties which we took over.

As I say, let us credit them with £5m., and that then reduces the assets at that charge, as it were. It alters the ratio, and curiously enough we did not do it this way, but we did knock off the £5m. as being an outside figure, and curiously enough that brings it back to about 10½ per cent. again.

I am sorry—I said a moment ago that the £5m. was additional to the trams; it includes the trams of course, because we have since charged the trams back—I was rather contradicting myself. The £5m. was what was inherent in the situation on the 21st January, 1948; that includes the trams, of course, but as I was saying, that brings us back again to the figure of 10½ per cent.

To conclude, these are all very interesting exercises; it just shows the kind of difficulties one can get into when one talks about making an accurate allocation of the interest charges.

7082. (President): Sir Reginald, among your tests, one of your methods of arriving at, at any rate a bearing, was to ascertain the ratio of book values?—Yes.

7083. Which book values, taking a particular year, did you look at? Did you take the book values as shown in the accounts of the Commission?—Yes; that is the cost, less the depreciated value.

7084. In other words, it is assuming—do not bother about whether the table is correct in its figures—that your calculations would have brought out for 1951 the 10.59 per cent. was it not, which Mr. Hill brought out in his original table 112 on this approach?—There is a slight difference between us because of the surplus properties. Mr. Hill cuts those in two and brings a part back into London Transport.

7085. Does he in table 112? I know the final assessment of Central Charges does, but in his figure of 10.59 per cent., he merely says that 10.59 per cent. is the percentage out of the total of fixed assets at book value which is the London Transport Executive's share. Is that not so?—Yes.

7086. He has really taken mean values?—Yes. There was a £3m. which he had transposed in respect of surplus properties, I think, but that does not make all that difference.

(Mr. Fay): It is in line 10, Sir.

(The Witness): Here it is. We have done this calculation for the year, if I can find the actual figures. We took the figures as shown in the accounts at the end of the year. You may remember that Mr. Hill took a mean figure between the beginning and the end, and our figure

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is probably just as good as the Middlesex figure. As a matter of fact, the depreciation is worked to the middle of the year, but he probably did not know that. The ratio on net values would be for the year 1950, on our calculation, 10.1; in 1951 it would be 10.2; in 1952 it would be 10.2; and the future years, as I think I have already told Mr. Poole, would be 10.2. That is what it works out at as a matter of mathematics.

7087. (President): Those are the end of year 1950 and the end of the year 1951, as shown in table 112. I think I did in fact check those figures. The end of 1950 total was £1,413m.; the London Transport figure was £135.8m.?

—Yes, Sir, plus the electric generation.

7088. Plus generation, but not plus surplus land?—Yes. In our figures we have not quite the same figure for electric generation, but it is exactly the same principle, and the ratios are those which I have just given you. The working expenses—well, we had better not go back to the working expenses issue, I suppose.

7089. You have made it plain that you regard these three tests as being pointers rather than methods of arriving at an accurate mathematical conclusion; would you be prepared to say which of them, in general, you would think would be a more reliable approach—staff working expenses, or book values on your fixed assets?—In the case of London Transport railways I would attach the most weight to the capital employed, because it is obviously very high; in the case of a bus company, which only has to buy its own vehicles—it hires its road from the State; it does not possess heavy terminal engineering works—in the case of a bus company, I would attach rather less weight to the capital employed and perhaps rather more to the working expenses. But that again may vary between company and company. If, owing to a revaluable traffics and handed them to another company, but there had been no possibility of reducing the investment in either of those two companies, which is quite possible, one would have to bear that in mind when one was using the capital asset test. It is conceivable to imagine an undertaking which uses no capital at all, or so little capital that it is hardly worth being brought into consideration; then you are brought back on to working expenses.

7090. That was really the next question I was going to ask you. Assuming that we were so unhappy that we found ourselves driven into a position in which we had, at any rate in our own minds, to allocate Central Charges between all the activities of the Commission, it would surely be desirable that we should apply a common test when we were looking to the separate activities?—No, Sir, if I may say so. I suggest that one has to think of all the tests which are relevant, and you may have to give them different weightings in different cases, according to the type of undertaking with which you are dealing.

7091. One would have in the end to allocate 100 per cent. to whatever one was allocating, would one not?—Yes, the total yield targets, fixed for each activity would have to add up to the total yield target for the Commission as a whole.

7092. And in the case of some of the activities shown, some of these three tests would give a very, very widely differing percentage?—Yes, they would. That is true between London Transport rail, and London Transport road in the London Transport undertaking itself.

7093. Yes—that is the point you are making with regard to some of the activities, not necessarily the activities of the Commission. You could have an activity in which the capital employed was very small compared with its profitability?—Yes, Sir; that might be the case in an advertising business.

7094. But being, as I say, in the unhappy position of seeking to allocate Central Charges between all the activities, which of the tests which you have described, would be the most appropriate if one wanted to apply a common test? I rather gather your answer would be "None"?—I wanted to put it in a more constructive way, Sir. I was going to suggest that the only common test is the application of what I have described in general terms as financial and commercial judgment. If none of the tests has exclusive validity in itself, can you, Sir, apply a common single test to all of the activities? I did not mean, Sir, to try to provoke an answer. I meant I do

not think one can do so. When one really comes to do this kind of thing—after all, Mr. President, we have to do it ourselves; we are trying to do this kind of thing every day, and we know what we are up against in trying to find out if a target for a certain activity is reasonable or not.

7095. (President): But of course it is of very considerable importance that you should appear to be fair as between the different activities.—Yes.

7096. It would be easier to appear to be fair if you were seen to be allocating against London Transport by the same method that you were allocating as against all the other activities, or at any rate as against all the other activities other than London Transport, taken together. —To that, Mr. President, I can only suggest that it would seem fairer to those who did not really understand it. It would not seem fairer to me, for example. Superficially it is fairer, and certainly it is easier. How much easier to have some rule, some calculation, which everyone can then call accurate, and just get a junior clerk to do the calculation. Unfortunately we cannot do that way in our own financial administration. I agree absolutely we have to be fair, but what is fair does imply all these factors of judgment. What should the canals be asked to yield? We have to take into account that an enormous part of the mileage is narrow boat mileage, and it is not reasonable to expect it to yield anything. Canals is a case in point to which I pay more regard to working expenses than to capital employed. I am leaving out the big estuarial canals, I am referring to all the hundreds of miles of other canals.

7097. May I take it in the case of subsidiary companies your view would be other, namely, you would have main regard to the capital employed?—Yes, and in the case of the bus companies I should also have regard to what is thought to be a reasonable return in that particular industry.

7098. Of course except in so far as history suggests what a reasonable return would be in the case of the London Transport services, it is rather difficult in the case of a monopoly to answer the question, what is a reasonable return.—That is the whole difficulty, yes. But in industries which are said not to be monopolies there is for most of them a more or less recognised yield. I think one has to take into account also whether the industry is young and growing, or whether it is already perhaps past the top of the hill. One expects more from a young and growing industry. There are all these things to be taken into account.

7099. Of course this is a very important matter, Sir Reginald, even for the purposes of this Scheme, but obviously under the new legislation it will be even more important. I do not know what the adjective is which is employed in the new Bill. Is it "the proper contribution"? Well, do not let us go on, but you know the subsection to which I am referring.—Yes, but you remember something like this was done for the railway companies under the 1921 Act, and it is quite instructive to look back and see what arguments were employed at that time. There you had equity capital and many other complications as well.

Indeed, the Commons Commission was faced with the same problem when they first took over their administration and began to look over the rates and charges. I think they insisted on the railways doing a complete revaluation, but I do not know the details, and I do not know how it could possibly be done except on very rule-of-thumb methods.

7100. At any rate, we may take it that there is no recognised accountancy doctrine as to how central charges or overhead charges in general ought to be split if one has for any purposes to split them?—Not inside one undertaking.

7101. I meant inside one undertaking.—If you split them and capitalise them separately and run them separately you avoid this trouble, but of course you run into other troubles.

May I just say on this £54m., we do regard it as reasonable; and it is never very far out of my mind that for a smaller undertaking pre-war the target was £64m. and it was a monopoly at that time.

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[Continued]

7102. (Mr. Poole): Assuming for a moment that £5½m. is a fair figure, and assuming that this Scheme is approved as it stands, owing to assimilation there is a consequential contribution to the central charges from London lines of something just under £2m.—Yes.

7103. And that really is consequential, that is the correct term to you; you would agree that, would you not?—Yes.

7104. Upon the assimilation.—Yes.

7105. And you have also agreed, I have your evidence in front of me here, that the calculations that have been made to arrive at that figure are not the sort of calculations that as an accountant you can put your hand on your heart and say that those are right?—No.

7106. They have a very wide margin of possible error in them?—Yes.

7107. Supposing now that that £2m. is proved say, in our view or somebody's view, to be too high or too low, would you reconsider that figure of £5½m., treating the London area as a whole, if you are going to retain assimilation? Or are you aiming to treat the London Transport Executive as an absolutely separate financial entity, and in that view isolate their contribution, without reference to the contribution of the London Lines, except your own reference of the possibility of it being either outrageously high or outrageously low?—I think my answer there is that we do fix the £5½m. separately for London Transport in the first instance because we can see London Transport separately. Difficult though it is, it is easier to apply one's judgment to the London Transport undertaking seen separately. If somebody said that the figure of £2m. for London Lines was too high or too low, I do not think that would involve me in attempting to judge afresh what I thought was appropriate for London Transport.

7108. The difficulty that I see is that you fix a scale. Shall we say you are considering the question of possibly altering the scale that is proposed?—Yes.

7109. Every alteration, if you are going to retain assimilation—and I think as a result of the 1950 Inquiry we all agree that if possible assimilation is a desirable thing for many reasons; that has been accepted.—Yes.

7110. If you are going to retain assimilation it seems very difficult if you alter the scale to treat London Transport Executive as a separate entity, because it is bound to make its £5½m. and, you say, reduce the yield and still you get the, in our opinion, full contribution from the two together from the London area.—Yes, but one has to remember that the £2m. for London Lines is added to a set of figures which in themselves are exceedingly vulnerable.

7111. Yes.—I would not like to say within narrow limits that if assimilation is maintained London Lines in "Y" year will or will not be meeting their target of £2m.

7112. It is all so mixed up with Railway Executive accounts?—Yes, and it is added, as I say, to the costing figures. I think I would say this: If fares remain assimilated I think the gross receipts of London Lines will be fairly close to what can be defined as a target; that is to say, in total, the £22m. or whatever the figure was; £22m. I think.

7113. (President): But still, Sir Reginald, I gather you had reserved this from what you said: If we were to come to the conclusion that London Lines, treated separately at the proposed fares would produce a working surplus of £5.5m.—London Lines?

7114. London Lines—and if we came to the second conclusion that assimilation must be preserved, you would not suggest that we should still treat £5.5m. as being added to what London Transport services, considered alone, would produce would you?—No.

7115. You would not?—No, that would mean a target for the whole of the London area of £11m.

7116. Yes, and that would be quite wrong.—That would be quite wrong. I just cannot see how that could happen.

7117. Nor could I.—Because after all, although this position has not been admitted the more one looks at it the more one perceives that there is really a very great deal of similarity between the London Lines, at any rate the electrical portion of the London Lines, and the London Transport railways. So that if the fares are fixed on

the same basis for London Lines as they are for London Transport railways you ought to be getting somewhere near the costs, recouping the costs, of London Lines, leaving out of account the fact that you will almost certainly be losing something on steam operation.

7118. Yes, that really amounts to saying that one cannot just, however imperfectly one does it, ignore the problem of what London Lines considered alone will produce in "Y" year can one?—By no means, no, Sir; one must take it into account.

7119. And still accepting assimilation as necessary, if one came to the conclusion that London Lines would be down by £5.5m. in a year one would, in fixing the assimilated fares, have to treat the two combined services, London Transport and London Lines, as having to produce some £11m. by increase in fares, would one not? Yes, but I see a difference between the two. Where the costings are themselves so tenuous I am not certain that I automatically insist at any rate on a recoup of the lost £5.5m. by spreading them over the whole of the London area, that is to say not only making London Lines pay more but also London Transport proper pay more. I think I should be more inclined to think that the costings needed looking into or that the high costs were due to circumstances which ought to be remedied. It might be due to old fashioned steam operation and so forth.

7120. That may be rather after the Inquiry was over. I was thinking rather what we should do. Once one accepts the principle of assimilation one is really saying we should make up our minds in some way what is the balance sheet for the two services combined, London Transport plus London Lines.—Yes.

7121. Fares have to be the same and we must find out how much the passengers as a whole have to find.—Yes, I suggest that you in that case would perhaps wish to pay more attention to a surplus on London Lines than to a deficit on London Lines. My own view is that there is a deficit on London Lines. We are not very happy, as we pointed out, with these additions for terminal charges. My own people, if I may speak personally, have been saying to me that addition of the 3½ per cent. is insufficient.

7122. I confess I have been rather surprised that no one has yet referred to the few pages on costing, which appeared in the 1951 Report, which singled out the London suburban lines, I think, as running at a loss; I think it was at a loss, it certainly was not at a profit. It perhaps is not worth while spending a great deal of time on the London Lines position because I think there is not much difference between you and Mr. Hill in the figure of appropriate contribution to the central charges.—But of course there is a very large difference between us on the working expenses and the percentage additions to those.

7123. Yes; I know about that. What was the next matter, Sir Reginald.—I think it was abnormal maintenance. Well, Sir, you remember it was suggested that London Transport is being over-charged to the tune of £½m. a year. That suggestion arose out of another suggestion that there was a mystery about what had happened to the £25m. provision in the closing balance sheet of the London Transport. Now we do not think there is any mystery at all; neither I imagine do our auditors think there is a mystery. That £25m. consisted as to about £16m. or £17m. merely of the lift on the deterioration provisions on the one side by London Transport during the war; the Government formula gave a lift for that. So that is not a repair item at all. It is a capital item. There is not £25m. to explain, there is only the balance of, let us say £9m., to explain. Now of that £9m., £3m. will have been spent by the end of 1953, and so there is only £6m. left. The £25m. mystery has now shrunk to a £6m. mystery.

7124. (Mr. Poole): £3m. you mean is what has actually been drawn from the deterioration account?—From the abnormal maintenance account.

(Mr. Harold Willis): Will have been, I think you said.

7125. (Mr. Poole): By the end of 1953?—Yes, so there is only £6m. left, and that I think is explained in the way I have already explained it. That £6m. has not been spent because it is referred very largely to replacement assets, which have either been replaced by a charge

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to capital or have been scrapped altogether. For example, repairs were never made to trams; they were scrapped and new buses were bought. Then again even on the civil engineering assets the bulk I should think figure quite small in this picture. If, for example, you have missed painting once, when the next cycle of painting comes round you do not paint it twice, you only paint it once. So that money in effect has been saved. I think that £6m. is perfectly explainable in the way I have just tried to explain it. I do not think there is any mystery at all. After all, we have spent £31m. on renewals as distinct from additions and improvements. Of the £31m., £23m. was spent on buses; £4m. on new railway cars; and the balance on trolley buses, electric power supply and buildings. The spending of those capital moneys has automatically wiped out the need to do the arrears of repairs which had been booked, or which had been logged as it were, at 31st December, 1947.

7126. (President): What is going to happen to the £17m.—It stands at the moment still to the credit of the abnormal maintenance account. It may or may not be spent on other activities, but if somebody says that £17m. started life with London Transport and we want that specially credited to London Transport, I should have to remind them that they also had £27m. out of the assets displacement accounts.

7127. (Mr. Poole): You have another £6m. to talk about, have you not?—That was merely the figure that was added to the £25m. because there was a change in the scope of the deterioration scheme. That again is very largely depreciation moneys, or not moneys but depreciation figures, which were not needed for the opening depreciation figures of the Commission. They were not necessarily, or not entirely, arrears of renewals.

7128. They were the part of that £46.3m. that you mentioned in evidence was left out of the £154m. after you deducted the £107.9m., to set up the opening depreciation provision.—Yes.

7129. They were part of that £46m.—I think the figure was £46.3m.

7130. £46.3m. What I am really trying to understand is this: The abnormal maintenance account—which I think is a very bad name for the account; you will probably agree with me on that—is used in this way as a sort of equalisation account, it is linked up in operation very much with a new maintenance charge. That is so, is it not? That is to say, if the annual maintenance charge is unspent, or part of it, the balance is still debited to London or whatever the other activity may be, and that is handed back to the abnormal maintenance?—Yes, it is debited to repairs and credited to the abnormal maintenance account.

7131. And the other way round?—Yes, and the other way round.

7132. I think the argument used by the Objectors is, if moneys remaining in the abnormal maintenance account which is applicable to London, because you have picked and chosen here yourself, that is to say you have picked out the £25m. and put it out of the London Passenger Transport Board accounts and put it into the abnormal maintenance account.—That was part of the origin of the abnormal maintenance account, but it was an abnormal maintenance account intended to be for the Commission as a whole.

7133. That may be so, but it was a provision that was made.—Certainly.

7134. Is there not some explanation needed as to the relationship between the maintenance charge and the drawings or otherwise on the abnormal maintenance account? That is to say, if the maintenance charge is too low or too high you would expect that to affect the drawings on the abnormal maintenance account?—Yes.

7135. You see what I am getting at?—Certainly.

7136. Will you just give us an explanation of that?—The reason why the London Transport contribution to the abnormal maintenance account has not been fully drawn upon is that £16m. of it was not a repair reserve at all. It was in effect a contribution towards capital replacement. That is the main thing. Of the other £9m. as I say, £3m. has been drawn on and there is only

£6m. to explain, which I think is explained by the fact simply that the repairs were not done because new assets were brought in in place of the old assets.

May I ask you a question? Is it the £16m. that is troubling your minds? You think if that did belong to London Transport at some time that somehow should be deducted from the London Transport assets today if that was a contribution.

7137. (Mr. Poole): No, I am not thinking of that at all. I am thinking only in terms of this: I am looking at the annual maintenance charge as a regular charge with the abnormal maintenance account being used as an equalisation account.—Yes.

7138. If that equalisation account is not being drawn upon in respect of the part of the maintenance charge which is attributable to deferred maintenance coming back from war-time, it might be that that charge is too high.

—Well, we have no reason to suppose that. The pre-war standard was looked at again very carefully by us on the 1st January, 1948, and you may remember that considerable adjustments were made to it for the changing circumstances at that time. We thought that we were using a figure which represented a reasonable standard charge, and we still think that that has been a reasonable standard of charge during these years. Of course, a side test will be, will it not, what the maintenance charge will settle down at when the abnormal maintenance procedures are terminated in relation to London? If when we move to the basis of charge in actuals, actual expenditures on repairs, those actual expenditures prove to be very much less than the standard we have been applying during those five years, that might very well indicate that the standard has been too high.

7139. That is what I am getting at.—Yes, but all the indications are the other way. That assurance I can give you. We do not think that the charging of actuals with such measure of equalisation over the years as is necessary, we do not think the equalised annual charge will be less than the standard. In fact we are certain it will not be less than the standard. We do think it will be just slightly more.

7140. The importance of it lies in the fact that it is a charge against revenue?—Yes, I do not think for a moment there has been an overcharge against revenue. We shall find when we move to a new basis that the equalised standard charge is, if anything, slightly greater.

7141. If you are going to move to the new basis this year, as you suggest you might do, presumably you have made a fairly close investigation of the situation?—Yes.

7142. And that is the conclusion you have reached?—Yes, Sir, that is the conclusion we have reached.

7143. Do you still maintain what you said in evidence, that as far as you can see the abnormal maintenance in London from the war has been pretty well completed?—Yes. I am not saying, of course, that every single little thing has been done, but the vast bulk of it has been done. Certainly all the things like rolling stock are absolutely up-to-date. What is left to do is inconsiderable; I do not think it is really worth talking about.

7144. Then it is your considered view that there is no overcharge in the standard maintenance charge, and that, if anything, on a day-to-day basis, so to speak, of paying out, it would prove to be a little bit high—on an annual basis, rather?—In future, yes.

7145. In future?—Yes.

7146. (President): You mean the actual figure in future will prove to be higher than the standard which has been applied in the past?—Yes, not, of course, in any one year.

7147. Then, Sir Reginald, those are all the matters we desire to trouble you with, unless you would like to make any observations without provocation.—I am told that is always a very silly thing to do, Sir; but I will say I think the real thing that is difficult and has to be discussed is this question of fixing the target. The other two main issues which are the £4m. for maintenance and the invention of the profit and loss account for London Lines are matters which I do not really take very seriously.

7148. But the London Lines balance sheet on any method must be a highly speculative operation, Sir Reginald, must it not?—Yes. You just cannot do it. The records are not there. All we have are three snapshots of the position, the two "X" years and "Y" year,

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expressed in terms of twelve months in order to make it understandable. To take just those three snapshots and say they represent the whole of the life over those five years is impossible.

7149. Is there any likelihood on a future occasion of a more precise estimate being possible of the working expenses of the London Lines?—We may attempt to attack the figures for some of the steam trains, and the Southern accountants will continue to make their estimates on the new basis, which incidentally is the pre-war basis really.

7150. I was wondering whether it is not time that the whole formula should be re-examined.—Yes, even that would only give them the vehicle movement expenses.

7151. Yes; well, it would, but what about the terminal fraction? Is it not possible to arrive at something nearer the 1953 fraction? I do not mean is it possible today, but would it be possible in the future to make it more up to date?—Yes, Sir. A thing we could do would be to make a comprehensive survey of the different figures involved explaining in each particular case what validity they had. I think we also might make an attempt to analyse more closely such differences as there are between the terminal expenses on London Transport railways and on the London Lines. The more one thinks about it, as I said before, the more one sees great similarities between those two. After all, a great part of the London Lines were reckoned to be main line railways. They were transferred from London Lines to London Transport on the 1st July, 1948. So one would expect a correspondence between the expenditure pattern between London Lines and London Transport.

MR. ALEXANDER BALMAIN (BRUCE VALENTINE recalled).

(President): Mr. Valentine, I think in your case, as in the case of Sir Reginald, it would be easier and save time if you took the topics we have already indicated and gave us your view on them rather than we should question you as though we were your own Counsel or your cross-examining Counsel.

(Mr. Valentine): The first question you put was what are the considerations which make it either impracticable, in fact, or undesirable to have a scale for road services with a minimum of 2d. and every half mile after the first mile being charged at 1d. The Commission would certainly regard such a scale as impracticable and extremely undesirable for several reasons, all of which I think were mentioned in the course of my evidence at the 1950 Inquiry. I think perhaps first I should mention this difficulty, such a scale would of course introduce the principle of charging by half miles instead of by whole miles as at present, and because it would do that it would very seriously reduce the efficiency of fare collection by increasing the risk of undercharging. Perhaps I had better explain how that will come about. Conductors are not always able to collect all the fares while the bus is still in the stage in which the passengers concerned have boarded. You see it only takes three and a half minutes on the average for a bus to travel half a mile from one fare stage to the next, and especially when traffic is heavy many passengers' fares are, in fact, not collected until they have passed into the next fare stage beyond that in which they boarded. Now when that happens they are frequently charged the fare to their destination from the point at which the fare is collected instead of the fare from the earlier point at which they began their journeys.

7155. (President): Because they do not tell the truth?—They declare their destination, or tender their fare, which is an insufficient fare in some cases; to that extent they do not tell the truth.

7156. My own experience on these occasions is that one either tells the conductor or one answers the question put by the conductor where one got on.—The conductor should do that, but if he is pressed, and if the passenger declares his destination, he is very likely to be given a ticket punched at the place where he gets his ticket. But more likely the passenger declares the fare he is paying knowing he is safely past the second stage of his journey.

7157. The first consideration is the difficulty of accurate collection within a short space of time?—Yes, but the scale mentioned in the question does not alter the stage points; it does not alter the desirability that the conductor

7152. You see, it may be inevitable, but it is an unsatisfactory position for anybody, and certainly for this Tribunal which has in effect to make up its mind what are the total working expenses for this notional single unit with the knowledge that as regards one-quarter of those expenses nobody can pretend really to any degree of accuracy whatever.—Yes, Sir. We will certainly do what we can. Nevertheless one will be driven back to attaching a good deal more weight to the figures for London Transport than one will ever be able to attach to the figures for London Lines.

7153. (President): Of course one figure, at any rate for the past, one can vouch for, and the other can never be more than a guess.—That is my point. We will see if we can—

7154. I am not suggesting you should see if you can before we make up our minds on this Scheme, but in the event of there being another Inquiry in the next five years, it would be more satisfactory, at any rate to me, if I felt that I was within say £2m. right on the working expenses of London Lines.—At the next Inquiry we shall certainly set out the assumptions much more fully; in fact, I think possibly the best thing we can do is to give you a real study of the problem. It is not generally known, of course, that something well over 100 clerks were involved before the war just to arrive at the vehicle movement because of the various parties. It is quite a big job, and unfortunately it is full of assumptions as you go along, but we will certainly, Sir, give you a study of that position.

(President): All right, Sir Reginald; we are very grateful to you. Thank you very much.

should collect the fare from the passengers at the fare at which they board, but it does open the door to very much more underpayment by passengers. When fares are collected a stage late, today in half the cases it makes no difference and no undercharging results because under the present system the fare to any given destination changes only from every alternate fare stage. Under the system suggested, you see, the fare should change from every fare stage and thus the risk of undercharging by late collection of fares would be twice as great for all journeys in excess of a mile if the unit of charging were half miles instead of whole miles. We are already sure that the extent of undercharging owing to late collection of fares at times of busy traffic is quite a serious matter, and the London Transport Executive are doing everything in their power to reduce the extent to which it occurs. They therefore would be bound to regard it as so undesirable as to amount to being an unpracticable scale of fares which would double this risk of undercharging, not only because of the financial loss involved but because they think it must be socially and morally bad to adopt a system calculated so greatly to increase the number of people who would travel or could travel not always innocently at less than the proper legal charge.

That, Sir, is the first and, I think it is a weighty reason why such a scale would be regarded as impracticable. Secondly, I should mention briefly that, as I explained at the 1950 Inquiry, the adoption of a system of charging by half miles will double the number of fares above the minimum which the conductor has to memorise, and that would tend to make his task more difficult, slow down the rate of his fare collection, and react on the efficiency both of his fare collection and his other duties, by tending to take a little more time, specially of course with the less experienced conductor.

It is true that in the particular form of the half-mile scale which is suggested in the question, the possibility of the conductor not memorising the fares would not be so acute as in some other forms of the scale, because that progresses by even steps of 1d. for every half mile; but once the principle of half-mile charging is postulated relating to fares between various numbers of points, it would be a much more serious matter for the conductor if the consistent steps of 1d. per stage had to be varied to produce a yield and were replaced by a regular scale, as, for example, in the scale suggested by the Whyteleaf & Kenley Residents' Association, Objection 18.

Thirdly, there is the very important fact that the scale suggested or any scale based on this half-mile charging

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principle is quite incompatible with the use of the new type of ticket machines for buses to which, generally speaking, the London Transport Executive is now committed.

It was explained to the Tribunal at the 1950 Inquiry that if the fare system were simplified in certain ways, particularly by the elimination of return fares and transfer tickets on the buses and if the then system of charging were retained, then the London Transport Executive intended to adopt a new type of machine which would increase the efficiency of the conductors. The conditions to make that possible were created by the 1950 Scheme and were not disturbed by the 1952 Scheme, and the Executive has gone ahead with the new machines.

The reason why the new machines are incompatible with the half-mile charging scale is that they are designed to issue tickets of only 14 different denominations, and that number cannot be increased.

With half-mile charging the number of separate adult fare denominations to cover all journeys up to any given distance is almost double, compared with the present system, and the limited number of separate denominations which the machine can issue would, therefore, be exhausted by a much shorter range of journeys with half-mile charging. Consequently, the issue of two tickets of lower value to make up the correct fare would have to be adopted for a very much larger proportion of the traffic. That, in itself, seriously slows down the fare collection process which this machine is designed to speed up; but it would also have the effect of vitiating our essential statistics of traffic at those fare values to such an extent as to make them of very little use.

I think I ought to mention quite briefly that although it perhaps does not justify discarding such a scale as impracticable, such a scale could not be quickly introduced, even if the difficulties which I have mentioned could be overcome, because of the task—a great deal of detailed and expert work—which would have to be done for fixing the limits of the new fares for 1 $\frac{1}{2}$, 2 $\frac{1}{2}$, 3 $\frac{1}{2}$ miles, and so on. I think I also ought to say that apart from the practical difficulties associated with the structure of the suggested scale, the particular scale defined in the question, could, I suppose, be properly described as undesirable for present purposes for the rather peculiar reason that it would yield far too much money.

7158. I was, of course, aware of that; but those considerations are equally applicable if the steps were halfpenny steps—perhaps more so?—No, Sir, not the increase in the number of denominations. You are speaking of odd halfpennies in fares?

7159. Yes. All the considerations which you put forward, and possibly more, as showing that a rise of 1d. per half-mile would be undesirable would equally apply to a rise of a halfpenny per half-mile?—Certainly—or to any scale on the lines of the Whyteleaf proposal, which gives sometimes a half-mile and sometimes two stages for the next successive 1d. in the scale. All those objections would apply to those.

7160. It is quite likely that the question would not have been put among those which we asked you to speak about, if I had had the facility of being engaged in the 1950 Inquiry!

The second question is about the Deferred Maintenance. Do you want to add anything to what Sir Reginald has just told us about the state to which the system has now been restored?—No, assuming that we are only dealing with repairs. The great bulk of the arrears outstanding at the beginning of 1948 will have been disposed of by the end of this year, which I think is what Sir Reginald has stated this morning in answer to Mr. Poole's question.

7161. It would in fact in 1954 be extremely difficult in the case of most items of repair to say whether they were pre-1948 or not?—I think that is becoming increasingly difficult, Sir, yes—certain kinds of work, at any rate.

(President): It is not like a vintage wine which an expert can judge by sniffing and slightly tasting. A flaking wall does not really reveal its age.

7162. (Mr. Poole): You are dealing with vehicles with a very short life?—Road vehicles, yes.

7163. I do not know at what life you put a bus—I think it is 8 to 12 years?—I think it is 14.

7164. (President): Now you are going to tell us about the revenue receipts in "Y" year; that is on Table B.T.C. 501?—Yes, Sir. You asked me if I would like to make any observations on CC/H.121, and I would like, if I may, to make some comments first on the basis used by Mr. Hill in lines 1 to 9, and then I would like to deal with the quite separate questions of certain fallacies or defects as I see them in the treatment of lines 10 to 12.

With regard to the basic period for building up the "Y" year estimate of London Transport Executive receipts at present charges, I have already said that I did not consider that the receipts for the whole of 1952 would provide a useful basis for estimating 1953 or "Y" year receipts at present charges, although Mr. Hill prefers them to my assumption that basically traffic would continue on approximately the same level as that which prevailed during the latter part of 1952.

There are two reasons why we did not make use, and would not have thought it sound to make use, of the whole year's receipts as a guide to 1953. The first is that the 1952 receipts are at three different levels of charge and have to be adjusted as a first step to bring them to a common level—that is, the present level. That can be done, of course, quite easily if it is assumed that the estimated yield of the increased charges was in fact realised; and we are well enough satisfied that the estimated yield of the 1952 Scheme as a whole has been fully realised.

But we do know that the yields from particular parts of the Scheme have differed considerably from the estimates—some are up and some are down—and then in particular the estimates of £1.2m. from the special treatment of the sub-standard fares which applied from March to August inclusive, but not from the 1st September, was always known to be particularly liable to error, because it is no sure statistical foundation as to the volume of traffic involved, as I explained quite fully at the last Inquiry.

Therefore, it would be much safer, other things being equal, to base a forward estimate of London Transport receipts at present charges on actual experience at present charges—that is to say, since the 1st September, 1952—than on experience of an earlier period which requires correction for changes of fare level.

The second reason why I would not myself have thought it wise to use the 1952 receipts as a whole is that, as I mentioned in answer to Mr. Lawrence at Questions 4324 and 4328, I am convinced that in the early part of 1952 traffic was abnormally good for temporary reasons which no longer apply, and that the traffic receipts of that period are, therefore, an unreliable pointer to traffic receipts in the future.

It is perhaps too long a story to go into as to why I came to that conclusion; but we do study very closely the economic factors which influence the volume of our traffic, and we do know that they vary a good deal from one period to another, quite apart from changes in charges, but according to the amount which people have to spend on the things on which they spend it.

The economic factors affecting our traffic are nearly always complex and are very often conflicting, and we have to keep our eye on them in an attempt to understand the fluctuations.

I think in this case we can take out the outstanding reason why traffic in London was particularly buoyant in the last quarter of 1951 and for a bit more than the first quarter of 1952. We are satisfied that it was mainly associated with the fact that during that period personal expenditure was abnormally low on certain basic commodities, particularly household goods and clothing, and therefore people had more money available for the kind of inessential expenditure including entertainments, which is reflected in more buoyant local traffic, which involved more incidental local traffic.

During the second half of 1952 the proportion of personal expenditure devoted to basic items such as household goods, clothing, food, and so on, had recovered, and the temporarily inflated margins available for less essential types of expenditure which are favourable to London Traffic had faded away.

It was for those two reasons that we preferred to base our estimate for 1953 for the purposes first of our own budget and only subsequently for adopting it for "Y"

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[Continued]

year on the level of the autumn of 1952 rather than on the full year. The period we took as our guide—and it is no more than a guide—namely, September, October and November, is admittedly short, but if we had taken a period starting earlier than September, we would have been involved in speculative corrections on the different levels of fares; and, of course, we disregarded December because of the exceptionally bad weather.

Mr. Hill did call attention to the fact that the weather in September and November was also less good than the average for those months, although not, of course, as bad as December; but, of course, we were aware of that, and we were able to bear that in mind in arriving at our estimate for 1953.

Mr. Hill's basis for taking "Y" year receipts up to line 9 of his exhibit, would, I think, if correctly calculated, have produced a figure which was, in my opinion, somewhat too high, largely because it would have reflected that buoyant period of traffic at the beginning of 1952.

There is, however, a number of corrections required to his calculations; in particular the figures in lines 6 and 7 are not appropriate for his purpose, because they are produced for the quite different purposes of adjusting "X" year estimates to make them comparable with the actual 1952 receipts. For that purpose they represented the "X" year estimate of the yield from increased charges attributable to the periods named, adjusted not only to include the proportion of the estimated yield of increased charges, but also to reflect the difference between the clearance in "X" year and 1952. I stated that explicitly when I gave the two figures that are reproduced in lines 6 and 7 of Mr. Hill's exhibit, at Questions 4352 to 4354.

The correction for clearance, however, does not arise in the adjusted 1952 receipts to build up a "Y" year estimate; that is for the purposes of this exhibit. As the clearance figures in 1952 and "Y" year are the same for Mr. Hill's purpose, the figures in lines 6 and 7 are too large, and consequently the result of the calculation in line 9 is too small.

He has also overlooked the fact that the figure which he has produced in line 7 applied to the period from the 31st August to the 27th December—it was for exactly 17 weeks—and not from the 1st September to the 31st December, as he suggests. I have not attempted to reconstruct this first half of Mr. Hill's exhibit in detail, but if he had done it correctly, and especially if he had not made the error in regard to clearance in lines 6 and 7, his figure in line 9 would certainly have been considerably higher, probably by at least £200,000.

My major quarrel with the exhibit, however, is that lines 10 to 12 are fallacious and that line 12 is really meaningless as a result.

Perhaps I may say first that as the object of the exhibit appears to be to prove that our estimate for "Y" year is wrong, it does seem a little odd to accept our estimate for "Y" year as part of the calculation, which has, however, been done in line 10, for the £800,000 in line 10 is, of course, nothing other than the difference between our "Y" year estimate and the "X" year estimate or the "X-A" year estimate—it is immaterial—increased by the increased yield; that I think has always been clear.

But leaving that aside, I think there is a much worse fallacy in adding together lines 10 and 11. I think it is the word "etc." in the sub-heading which at first conceals the fault.

The figure in line 10 represents (a) augmentation and development, and (b) all other operations between the two estimates compared; in other words, in line 10 the "etc." is not included. The figure in line 11 represents (a) exclusively—that is the augmentation and development and all the other variations—the "etceteras" are left out—and when lines 10 and 11 are added together it defeats me to know how the result can be described. It is neither an adjustment for augmentation and development only, nor for augmentation and development, etc.

I think there are actually only two things that Mr. Hill could legitimately have done at lines 10 to 12 for his purposes, and both differ from what he has done. I am afraid I will have difficulty in explaining them without the aid of a document; I am sorry to have to produce another document at this stage, but I think it would be

much simpler if I let you have a document headed: "Correction of Exhibit CC/H. 121". (Document handed.)

(President): Mr. Willis, no doubt we shall be a little time on this; I do not know whether you would like us to adjourn now and come back again this afternoon?

(The Witness): On this particular matter, Sir, we shall be five minutes.

(Mr. Harold Willis): I should think that we should take until about ten minutes past one, subject to any further questions which Mr. Valentine may be asked. If you have no further questions, I should think we should finish by about then, Sir.

(President): Very well; then I think we had better go on, but I do not want Mr. Valentine to feel that he has been rushed.

(The Witness): I think we can complete it in that time, Sir.

This document, if you have it now, is headed: "Correction of Exhibit CC/F. 121"; it only uses figures which are already available in the evidence or which were produced by Mr. Hill himself for the purposes of his own exhibit, and everything which I have done on this document Mr. Hill could have done.

In effect, what I have done on this piece of paper is to set out for lines 10, 11 and 12 the adjustment which Mr. Hill could have used (a) for augmentation and development, and (b) for all other variations which will be covered by the word "etc.", and then the total.

He agreed all the figures in the column headed (A); when cross-examined he agreed them on the arbitrary basis of agreeing an augmentation and development mileage for 18d. a mile—and I should say in parenthesis that I am not committed to the view that 18d. is necessarily the appropriate figure for the particular 4.8m. miles in "Y" year.

But Mr. Hill agreed those figures, which would put him on the basis used before, of viewing augmentation and development mileage at 18d.

The column headed (B), the "etceteras", is the difference between the first column and the last; perhaps I could come back to that in a moment.

The third column is headed: "Total difference (A)-(B)". The figure in line 10, £800,000, is familiar. The corresponding figure in line 11, described as "Excess of X-A year over 1952", turns out to be a minus of £515,000. In other words, the fact is that comparing these estimates it is really 1952 that exceeds "X-A" year and not the reverse.

This figure of minus £515,000 has not been seen before, but it is quite easily calculated from Mr. Hill's own figures, as shown in Note (a) at the foot of the table.

In Note (a), as you will see, we first show the source of the corrected figure for "X-A" year, London Transport receipts, adjusted to present level of charge, which works out at £836,200, and then for the purposes of the figure required in line 11, you have to deduct from that the actual receipts for 1952. In Mr. Hill's table he could only have used certain adjusted 1952 receipts shown higher up in the table, namely, £67,377,000, already produced in line 9.

I think it is probably now clear where many of us may have found difficulty in understanding this exhibit and where it has gone wrong. At Question 5823, when Mr. Harold Willis was cross-examining Mr. Hill, Mr. Hill admitted that in line 11 there might be an unknown "(B)" that is well. From certain of his answers he obviously thought it would be a plus, but the unknown "(B)" is now shown to be based on Mr. Hill's calculations of a minus of £795,000. If Mr. Hill had dealt consistently with his heading of adjustment for augmentation and development, etc., and had not left the "etc." out in the case of line 11, he could, I think, only have followed one of two courses legitimately to complete his exhibit at line 12. He could either add to line 12 his calculation of the excess of "Y" year over 1952 for augmentation and development only—that is the figure of £360,000—or he could add the adjustment for augmentation and development, etc.; that is the figure of £285,000. In either case the result fails to show any wide discrepancy from the estimate for "Y" year.

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[Continued]

I am sorry that explanation has taken so long, Sir, but it is not altogether my fault. I hope it is now clear that the Commission is right in its view that this exhibit can hardly assist the Tribunal.

7165. May I just ask for one figure in your Line 11, column (B): "Other Variations". That figure of £795,000 is not a figure which you have had; it results from adding the figure of £280,000 to Mr. Hill's figure of £515,000. There must be other variations amounting to £795,000, if Mr. Hill's figures are right?—Yes, Sir. Just in the same way we have not previously produced the figure in Line 10. We know the mileage and we know the figure of £80,000 in Column (A), so both the figures in Column (B) have exactly the same status.

7166. You gave us some figures which, at that time, were not in the published Transport Statistics; was it up to the 8th March?—The figures of the London Transport Executive's receipts this year, Sir?

7167. Yes. Have you any later figures?—Yes, we have them now to a later date.

7168. I was wondering whether you could conveniently give us the actuals to the latest date?—The actual receipts for the first 16 weeks of 1953—I have them in this form, that they are below the budget estimate by £345,000.

7169. The figures you previously gave us were below the budget estimate by £183,000 or £193,000?—Yes. It has been worse again since, particularly owing to the fact of the very unfortunate Easter—the weather at Easter was very bad. At the moment—that is to say up to last Sunday, the 19th April—the receipts of the London Transport Executive are £345,000 less than they ought to be if our estimate for the whole year is correctly apportioned to allow only for seasonal fluctuations. We are that much down at the moment on our budget. I think I ought to give you the actual figures, not just the difference. The actual figure of receipts aggregated to the 19th April is £19,814,000, being £345,000 below the budget.

7170. Lastly there is Mr. Morrish's table.—Yes, Sir—your fourth question. That was with regard to the yields; I take it you want the discounted yields—the net yields for the early morning fares, if treated in accordance with P.O.E.U. 1?

7171. Yes.—The figures you wanted I think are these: Mr. Morrish's proposal would produce by increases of early morning fares a discounted yield for the London Transport Executive, of £369,048, and for the Railway Executive, London Lines, £190,000, making a total for the London Area of £559,048.

For the railways outside London, Mr. Roberts has supplied me with an estimate of £160,000 as the discounted yield from early morning fares under Mr. Morrish's proposal.

The differences of course can be deduced by comparing those figures with the figures in our Exhibit B.T.C. 510; but unfortunately that would not give you quite the whole picture, because if the early morning fares were fixed on the basis of Mr. Morrish's proposal, that would automatically reduce the London Transport ordinary fare yields at distances of two miles during the early morning period, because his 2½d. single early morning fare would undercut the ordinary adult single fare of 3½d., and for passengers travelling up to 8 a.m. the lower fare would necessarily apply.

So that the difference between the yield of the Commission's proposals and Mr. Morrish's proposals is more than the difference between the discounted yields which I have just given, and the discounted yield in Exhibit B.T.C. 510.

The differences in respect of early morning fares themselves are that the London Area yield would be £900,459 lower under Mr. Morrish's proposal compared with the Draft Scheme; but there would be a further reduction in yield of £165,247 in respect of ordinary fares in the

early morning, making a total reduction of the yield for the London Area of £1,065,706, which is, I think, the figure which Mr. Morrish quoted having been supplied with it by us.

That I think, gives all the figures you asked for, unless they call for further explanation, but there was a second part of the question: Whether such a scale is practicable in this sense, that it would not be out of relation to the other scales.

The answer is that in the view of the Commission it would be out of relation to the London Transport ordinary fare scale proposed in the Draft Scheme, and of course to the Railway Executive, London Lines day returns, which are on the same basis. It would be out of relation because it would widen the gap between the ordinary and early morning fares which the Commission, as you know, are themselves unable to justify in principle and which, as a matter of long-term policy, they wish to close.

The proposal in Exhibit P.O.E.U. 1 would widen the gap in this sense: First of all it would re-introduce a concession in the early morning at two miles which does not exist now, and would not result from the Draft Scheme; secondly it would increase the amount of the concession represented by early morning fares at other distances except three miles, where there would be no change under Mr. Morrish's proposal.

The amount by which the concession would be increased would be a penny in every case except for road journeys of five miles, where the increased concession would be a halfpenny.

On the other hand the proposals in the Draft Scheme as framed by the Commission leave the amount of the concession unchanged at all distances except at three miles, where under our proposals the concession would be reduced by a penny and also except for road journeys only of five miles; the concession under our proposals would be reduced by a halfpenny.

I think it is clear from that that while the Commission's proposals hardly alter the gap or extent of the concession between ordinary and early morning fares, Mr. Morrish's proposal would considerably increase the concession.

7172. (Mr. Poole.) Would you be able to calculate what the effect would be if there was a simple modification downwards, namely of assuming that the 3½d. fare was conceded for two miles on the ordinary scale, and that should be the standard up to ten miles on the early morning scale instead of 4d.? It would be 3½d. all the way through, and of course the returns would have to be adapted accordingly, would they not?—A 3½d. early morning single instead of a 4d. early morning single throughout the Commission's proposals—it would cause a lot of dissimilation between road and rail unless we reflected the halfpenny in the early morning return fare on rail, but that, I am afraid, is a question—

7173. You would have to do that; I am carrying it through to what I call its mathematical conclusion.—All the early morning return fares on rail would be odd halfpennies except for five miles, where the 3½d. single and the 8½d. single would be added together to make a shilling fare.

7174. All the others would be halfpennies?—Yes. I do not know that one could answer that question about yield—the gross yield; it seems to me that it would be approximately half. I am sorry—I must withdraw that. It is half on the forward journey on road services only. I do not think I could give you a quick answer on that.

7175. (President.) Then will you send us a slow answer?—Yes, Sir.

7176. I think that concludes all the information we are insisting upon extracting from you; if there is anything you wish to add yourself, perhaps you will do so?—No, I do not think so at all; except to thank you, Sir, for your patience.

(The Witness withdrew)

(Adjourned until 10.30 o'clock to-morrow morning)

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[Continued]

The following statements were submitted on behalf of Bodies whose representatives were unable to address the Tribunal orally:—

My Committee, the London North District Committee of the Amalgamated Engineering Union, adopted a resolution instructing me to lodge a protest in accordance with the regulations laid down. The resolution was as follows:—

"That we request the District Secretary to lodge a protest against any increase of fares, with the Transport Board."

A similar resolution was adopted by the London South District Committee of the Amalgamated Engineering Union, who requested me to represent them also. Therefore the objection was lodged jointly by the London North and London South District Committees of the Amalgamated Engineering Union, representing approximately 50,000 members.

Subsequently I received instructions from my Executive Council to register the objection on behalf of the whole of the A.E.U. membership concerned. The case I have been instructed to state today is on behalf of our Greater London membership, which is in the region of a quarter of a million, and when one takes into consideration the families of this membership one will appreciate I am speaking on behalf of a very considerable number of passengers using the London Transport services today.

This is the third time it has been my duty to object to a suggested increase in fares on behalf of the A.E.U. membership. The first occasion was in June, 1950, and the second in November, 1951. On both these occasions the reason for the objection was that our members could not afford to pay more in fares travelling to and from their work. It now appears that the contention held by our members has been borne out by the general public, who, according to statistics, made 224,331,000 fewer passenger journeys in 1952 after a second increase in fares.

This result is not surprising. We do not suggest that there was anything particularly outrageous about the 1952 fares increases, but we do suggest, very strongly, that in the present economic circumstances any increase in fares has a very sharp effect in discouraging traffic. Just as people spent less on clothing and furniture last year, in order to be able to buy about the same amount of food, so, with food prices rising all the time, any increase in fares becomes a "last straw" for hundreds of thousands who decide to walk or buy a bicycle. Unless there is a very sharp change in economic circumstances—lower food prices or more money in the pockets of the people—the Commission is surely wrong in reckoning the traffic will stay, let alone improve.

There are signs, in the charges scheme, that the Commission is aware of this, and has done its best to safeguard against a fall in revenues by concentrating the increases where it thinks traffic is least likely to fall off. Mr. Turner-Samuels and Mr. Morrish have already pointed out how disproportionate an amount of the increases are to be borne by the early morning fares—23.4 per cent. of the increased revenue from 9.38 per cent. of the passengers, or, putting it another way, from the passengers who provide 12.33 per cent. of the existing revenue. The Commission presented its case as if technical factors plus considerations of equity had been the only things they had in mind in framing the scheme, but it looks as if they had also had in view the question of "what the traffic will bear". In present circumstances, however, people will find alternative ways of getting to work, as well as getting to the shops or to cinemas. Moreover workmen are also people, they make other journeys besides their journeys to work, and this disproportionate increase on the early morning fares will lead, so far as people cannot avoid it, to their cutting down on their other travel expenditure.

The special problem of London.

The fact that transport in London is a special problem is coming to be widely recognised. Sir Reginald Holmes Wilson said:

"If we group ourselves in enormous—that is not an exaggeration—and congested built-up areas, the like of which exists almost nowhere else in the world, we can easily double the cost per passenger mile compared with

the cost per passenger mile which might be obtained in favourable circumstances of traffic and operation" (Minutes of Evidence, para. 66).

The average receipt per journey is, of course, very much higher in London than in provincial towns. In January this year, on London Transport, it was 7.01d. on the railways and 3.12d. on the road side, or weighted according to the number of journeys on the two forms of transport, an average of 3.68d. The average in some provincial towns at present, we believe, is: Blackpool (buses) 2.295d., Aberdeen (buses) 1.838d., Bradford 2.32d.

The high cost of travel in London raises issues outside the competence of the Tribunal—the need for a re-planning of London, the burden of the compensation payments, the desirability of a subsidy to meet the special difficulties in London. The remedies are outside the competence of the Tribunal, but the problem is in front of it. The problem is no longer only one of hardship. It is, in hard fact, that if the Tribunal endorses the Commission's proposals it will make it more difficult for London Transport ever to pay its way because it will be turning away more traffic. The problem cannot be solved within the Tribunal's terms of reference, and the best services the Commission could render would be to say so.

On the last occasion I stated that the increase in fares for members of this organisation was approximately 138 per cent. above the fares of 1938. The last increase, of course, also increased this percentage. This percentage is not only due to the increased charges but also due to the fact that through enemy action our members were forced to seek living accommodation further afield. We have another factor now which is also increasing the fares and travelling time of our members. This is that a number of engineering factories have transferred, and more are likely to transfer, to the outskirts of Greater London, which is causing a tremendous increase in the amount of money our members are called upon to pay in fares. May I quote a few examples:

Handley Page have decided to transfer their factory from Cricklewood to Radlett. I do not have to tell you the actual fare from Cricklewood to Radlett but I think you will realise that this will increase the weekly fares of our members if they accept the transfer. In this particular establishment there was a dispute and our members claimed 3d. per hour increase to cover the extra cost demanded for fares and travelling time involved in the transfer from Cricklewood to Radlett.

A.P.V. has moved from Wandsworth to Crawley, Sussex, and as a result some members have been forced to travel or find alternative employment.

Hilger & Watts has moved from Camberwell to Debden and although the firm is meeting some of the excess travelling cost this is only temporary and at the present moment the fares cost 11s. and the firm is paying 7s. Therefore the additional fares will be met by our members who, through no fault of their own, are forced to work in another district.

Alford & Alders have moved from South-East London to Hemel Hempstead. The same position arises here, workers have been forced to travel to maintain their jobs and if the fares are increased no doubt the members will be forced to seek alternative employment, if that were possible, with all the additional worry engendered. I am further informed that labour is hard to get at Hemel Hempstead, and it could mean that the firm's production would suffer.

Lately there has been a lot of publicity in regard to production and the hours worked by engineering workers. For your information the working week in the engineering industry is 44 hours. From a circularisation of Shop Stewards in the London North District we have established that the average time spent in travelling is 1 hour 5 minutes each way, which is 2 hours 10 minutes per day. Leaving overtime out of the question, the average worker in London is travelling for 10 hours 50 minutes to enable him to work a 44 hour week in a five day week shop and 13 hours to enable him to work a 44 hour week in five and a half day week shops. May I say that the facilities of travelling are such that the time a worker

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[Continued]

spends in travelling is often more exhausting than the time he actually spends at work. Therefore I hope you will realise the average working week of a Londoner in engineering is not 44 hours but over 55 hours a week. This, of course, is not taking into consideration the overtime that is being worked by our members in the interest of production and exports.

There is another aspect of the peculiarities of London I drew to the attention of the Tribunal in 1951, and I wish to repeat it again. You will be aware of the fact that since 1939 the workers have been compelled to go further afield for living accommodation. In 1939 the population of the County Borough of West Ham was approximately 300,000—today it is approximately 175,000. In Stepney the population was approximately 200,000 whereas today it is less than 100,000. It would be true to state that a great proportion of the evacuees from the East End of London are forced to come into the London workshops, docks, offices, etc., to earn their livelihood. It would also be true to state that, for these workers, fares, which were not a great burden to them in 1939 now become a burden in time and money in 1953.

My members are incensed by the continual reference to those few things which we are allowed to enjoy. Therefore I am going to take Mr. Willis to task who, in arguing for the Commission against the view that the proposed increases could be any hardship, said:—

"When one thinks of the amount of money which is spent year by year on cigarettes, beer, television and football pools, can it really be said that the impact of these fares increases is going to produce real hardship?"

Since this bogey has been raised again the point should be answered. Sir Robert Sinclair, Chairman of Imperial Tobacco, said in his statement with this year's accounts of the company:—

"While no one can deny that an expenditure of £800 millions per annum on tobacco is a truly immense sum, more than three-quarters of this is represented by duty revenue. . . it does not at all follow from the very large expenditure that the British public is being prodigal in its tobacco consumption; in fact, as the figures indicate, per capita consumption shows very little increase compared with pre-war and is appreciably lower than in a number of other countries" (*Financial Times*, 19.2.53).

Figures of annual consumption per adult given by Sir Robert were: U.K. 1938, 5.41 lbs.; 1952, 6 lbs. Other countries in 1951: Australia, 6.1 lbs, Switzerland, 6.5 lbs., Belgium, 6.6 lbs., Canada, 6.7 lbs., New Zealand, 7.6 lbs., Netherlands, 9 lbs., and U.S.A., 10.2 lbs.

It is the same story in the other fields. Output of beer has been going down steadily since the end of the war and consumption per head is now lower than pre-war. 8½d. of the 1s. 4d. for a pint of bitter is duty. Consumption of spirits is also down on pre-war—24s. 7d. out of the 35s. for a bottle of whisky is duty.

The falling profits of the brewery companies surely have a lesson for the Transport Commission. In a period of steeply rising food prices consumption of other goods and services tends to fall.

We contend that if our members spent their whole wage on such luxuries it would be less than the expenditure of the most famous cigar smokers, whisky and champagne drinkers of today. The Commission's case, if it has one, must be based on a very shaky foundation if Mr. Willis is forced to introduce such jibes at the expense of the traffic users.

Our members claim that the increase in fares since 1938 is round about 200 per cent., and the burden is added to by the time—2 hours a day it takes an average person to get to and from work. We are of the opinion that any attempt by the Commission to increase the fares to square the income and expenditure is completely wrong, immoral and unwarranted. We can appreciate extra payments being demanded for certain commodities where the individual has the option of affording them or going without, but here the Commission, the modern Dick Turpin, has decided it wants extra moneys and at pistol point demands it from the people who have no option but to pay. The Commission knows that every worker has got

to get to work and that he cannot say—"Well, I can't afford it—I'll have to go without", but he has got to afford it. It is completely unwarranted because we claim there is no "deficit" on the revenue side. The so-called deficit is made up of the immoral demands to satisfy the insatiable desires of the bondholders. Moreover the standard of living of our members has slowly and surely depreciated. Our wage demands are sparsely met by the employers and our income is not commensurate with the importance and need of the industry to the economic and political life of the nation. Our members demand a halt to the raids on their family budgets by the "Dick Turpins" of the City. Fares to and from work, we claim, should be free and a national charge. Fares to and from work in the national interests should not be, under any guise, extortions.

THE TOBACCO WORKERS' UNION

Our main grounds for opposition are set out in the official notice we forwarded to the Tribunal.

(1) "The wages at present paid to our members are inadequate to meet the existing high cost of living, and the suggested increases would further aggravate this position."

The existing high cost of living which we, like many other unions, have not been able to offset by adequate increases in wages. When we apply for wage increases we are constantly informed by the employers that to grant such increases would raise the cost of our goods and so aggravate the tendency to inflation.

If the fares are further increased, our members will be forced by circumstances to claim higher wages to meet the costs, and this vicious circle will be still further aggravated.

(2) "The majority of our members reside many miles away from their places of employment involving heavy expenditure on fares."

At the time of the last increase of fares, we took a referendum of our members in London which showed that a large majority resided many miles away from their places of employment. During recent years, our members have tended to move out to L.C.C. and other housing estates because of either being bombed out and/or overcrowded. The higher rents of these houses, plus the already existing fares, are a great drain on their resources, and any increase would make the situation almost impossible. Our members were encouraged to move out by the local authorities and, indeed, it was in some cases a necessity, but this has meant, in a large number of cases, that our Members are now paying in the region of 40 per cent. to 50 per cent. of their wages on rents and fares.

(3) "It is the opinion of my members that the present interest rates and compensation paid to ex-shareholders are far too high and that no hardship would be occasioned by the reduction of these to meet the financial needs of the industry."

The whole of the membership of the Tobacco Workers' Union is of the opinion that if there is a need for increased revenue from transport this should not be extracted from the wage earners who are automatically forced to travel in order to get to work and who, in our opinion, have already, by virtue of previous fares increases, contributed more than their just share to increased revenue.

My members are strongly of the opinion that the present interest rates and compensation paid to ex-shareholders should bear the brunt of any future increase. We are also of the opinion that it is not fair to keep such payments sacrosanct whilst imposing on workers and their families an extra burden on their already high cost of living.

We are constantly informed by all sorts of people, politicians, Press, radio, etc., that we must all make sacrifices to face and overcome the present economic position in this country. It does appear to my members, however, that the sacrifices are all on one side, namely, that of the workers, and we claim that a further increase in fares is not justified and is an imposition on our members who have already sacrificed so much.

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[Continued]

STUDENTS' UNION OF THE LONDON SCHOOL OF ECONOMICS

The National Union of Students, of which our Union is a full member, has long pressed the Ministry of Education and Local Authorities for educational awards to students which would enable them to be self-supporting throughout the year. Unfortunately, this policy has been of only limited success as the increments over the last six years testify. (See Exhibit No. 1.)

Exhibit No. 1.

Level of Ministry of Education awards for full-time Students Resident in Lodgings in the London Area, 1946, 1949, 1952.

	1946	1949	1952
Full-time day students resident in lodgings (Maximum Award)	£203	£241	£246

Maximum rates of L.C.C. University Awards for Students Resident in Hostels or approved Lodgings in the years 1946, 1949, 1952.

	1946	1949	1952
Full-time day students resident in lodgings	£210	£228	£246

We have found it necessary, therefore, concerned as we are to promote the immediate welfare of our students, to draw attention to their deteriorating position in the community. Food, paper and fares, amongst the most important of students costs, continue to take an increasing proportion of university awards, which latter are already inadequate if Ministry of Education recommendations provide the index. (See Exhibit No. 2.)

Exhibit No. 2.

The present minimum Ministry of Education recommended value of awards has not been accepted, *in toto*, i.e., for all categories of students, by any single local authority.

This month a survey of student fares in relation to grants was carried out by the Students' Union of the London School of Economics.

Exhibit No. 3.

Results of a Survey of the relation of fares to grants, carried out by the Students' Union of the L.S.E.

Sample: 1 in 5 students (i.e. excluding evening students, post-graduate and occasional students):

No. of questionnaires sent out	248
No. of questionnaires returned	75
Percentage return	30 per cent.
Since only 1 in 5 students were circulated the real percentage return	30 per cent.
	$\frac{30}{5}$

Therefore real percentage return ... 6 per cent.

The total number of students at the London School of Economics is approximately 3,210. All are automatically members of the Students' Union.

The above survey gives some indication of the extent to which students will be affected by the proposed increases in fares. For example: if we accept the returned questionnaires as representative: the average weekly expenditure on fares at present is 8s. 7d., the estimated future weekly expenditure on fares is 9s. 5d., an average increase of 10d. per week.

Our figures indicate that at present expenditure on fares, on the average, accounts for 9 per cent. of the total award. Bearing these figures in mind, together with the substance of our previous observations on student conditions, we should like to ask for the acceptance of our amendments, granting concessional fares for all bona fide students. Please find the Amendments outlined below—

AMENDMENTS

Paragraph 25: to be renumbered (1) a, b, c (2) insert third sub-paragraph:

"(c) where a passenger who, being not less than fourteen and is not in receipt of any remuneration amounting in the aggregate to more than 25s. per week, produces a card furnished by the Commission and issued from a university, college, school or other educational establishment or from any institution providing training for any profession, trade or vocation, stating that he is

attending a regular course of instruction or training at the establishment or institution named in the card, the fare chargeable under paragraph 10 in respect of any journey made by him for the purpose of going to or returning from the said establishment or institution shall not exceed one-half of the sum which would, apart from this provision, have been charged thereunder."

"(2) In sub-paragraph (1) (c) of this paragraph, the expression 'remuneration' includes any salary, wages or other monetary payment, but does not include maintenance grants made for the purpose of continued education."

Paragraph 28, sub-paragraph (1) (c) to delete "under eighteen years of age" from first paragraph.

Sub-paragraph (2): add "but does not include maintenance grants made for the purpose of continued education."

Paragraph 25, sub-paragraph (1) (a):

Delete "under eighteen years of age" (second line) insert after "week" (third line) "produces a card furnished by the Commission and issued from a university, college, school or other educational establishment or institution providing training for any profession, trade or vocation, stating that he is attending a regular course of instruction or training at the establishment or institution named in the card, the fare chargeable under paragraph (14) in respect of any journey made by him for the purpose of going to or returning from the said establishment or institution shall not exceed one half of the sum which would, apart from this provision, have been charged under the said paragraphs."

Sub-paragraph (2): qualify remuneration as above.

HARROW TRADES COUNCIL

The increase proposed makes unfair the position of London which has already had two increases.

This will affect Harrow whose residents mostly work outside the area as can be verified by available figures from Transport Executive.

Charges on a rail mile basis and twopenny fares could increase fares considerably in excess of the penny maximum increase which was shown in public notices which still exist on public transport vehicles.

We realise that the industry should be self supporting but we think the interest charges should be borne by the community as a whole and not by passengers only.

We propose therefore that Clauses 11a, 20a, 17a and 35 (1) be deleted from the draft charges scheme.

THE INSTITUTION OF PROFESSIONAL CIVIL SERVANTS

1. *The I.P.C.S.* The Institution of Professional Civil Servants has a total membership of 43,800. Approximately 14,000 of these members are in the London area. The membership comprises the Professional, Technical and Scientific grades in the Civil Service.

2. *Basis of Representations.* That the keeping down of the cost of living is a major national necessity and that civil servants are particularly vulnerable to the rising cost of living, and furthermore that civil servants in London cannot do other than pay whatever transport fares may be imposed.

3. *Cost of Living.* It is an avowed aim of Government policy that the cost of living should be stabilised and, if possible, reduced. The steadily rising cost of living is one of the major problems confronting the country.

4. In the Budget Debate on the 17th March, 1952, the Chancellor of the Exchequer said:—

"There must not only be a restraint in dividend giving. There must also be a restraint in demand for wages. I have listened carefully to all the arguments put forward in the course of this debate. I do not in any way wish to interfere with the liberty of organised labour to negotiate, or with the responsible people whose task may indeed have been made even more responsible by certain things which have recently happened, but I do say that restraint on all sides must be a feature of our economic life at the present time."

5. Despite the appeal made by the Chancellor of the Exchequer, the cost of living has been increased by

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[Continued]

approximately 10 per cent. Increases in transport charges have been a not inconsiderable element in this increase in the cost of living.

6. *Vulnerable position of civil servants.* It is inevitable that civil servants' remuneration lags behind remuneration generally and any increases that are given in Civil Service salary scales follow on increases generally. For example, at the beginning of 1952 civil servants generally were given a Pay Addition. That Pay Addition was in respect of general increases in remuneration that had occurred during the twelve months of 1951. Even so, civil servants earning £500 a year or more were not given full compensation for this rise. The Pay Addition diminished so that the salaries between £500 and £1,000 a year attracted only 5 per cent. increase as against the 10 per cent. appropriate to salaries up to £500, and salaries between £1,000 and £1,500 and that portion of any salaries between £1,000 and £1,500 attracted only 2½ per cent.

7. When at the beginning of this year Civil Service organisations sought a similar increase in respect of the general rise in remuneration during the course of 1952 of seven per cent., this has been refused by H.M. Treasury to civil servants.

8. It will be seen therefore that while civil servants are made an example by the Government of the Government's policy of restraining wage increases, it is very badly caught when a Governmental body raises its charges and it is the submission of the Institution that in this matter it should be represented to the Government that keeping transport charges down would be a major factor in keeping down the rising cost of living.

9. There is the further point that civil servants in London must travel to their work, and as Mr. Lennox-Boyd, the Minister of Transport, himself pointed out in the debate in the House of Commons on 10th February, 1953 (Hansard, Column 295):—"One was about the special problem of London. This is a monopoly problem. The Transport Commission, through the London Transport Executive, have a monopoly of the passenger services. Outside, the Commission have to regulate their passenger charges by what the traffic can bear, and there are many other forms of competition. In London there is no other competition."

10. *Proposals.* The Institution does not regard itself as well-fitted to make proposals for meeting the financial position of the railways. It must leave this to more qualified organisations and persons. It appears to the Institution, however, that *prima facie* there are some points on which action could be taken. It is no part of the submissions of the Institution that anything should take place which would result in lowering the working and living standards of transport staff. On the other hand, it is the fact that the London Transport Executive has never made manifest to the public its activities in seeking to make administrative economies. The Tribunal will be aware that there have been movements in a number of places to encourage Consumer Councils to play a live role. In transport they are very little publicised. The Acton Society Trust in a recent paper on Relations with the Public Nationalised Industries, directed some attention to the fact that such councils are not encouraged by the British Transport Commission.

11. Points that occur to the Institution are that there should be a sharp cut in fares for off-peak periods and that there might well be cheap "Runabout" tickets for the off-peak period in the evening.

12. Another point that has been mentioned in Institution circles is that in advertisements very much space seems to be taken up on omnibuses particularly by what seems to the Institution as unnecessary "self-advertising". The Institution suggests that there must be a considerable field for the use of space in transport vehicles for advertisements.

13. One further point which it is suggested must be borne in mind is that nearly eight per cent. of the gross receipts of the British Transport Commission are absorbed in interest charges and it has been suggested by more than one authority that those interest charges should be borne in part by the Exchequer so as to avoid the charge falling entirely on those who have no alternative but to use public transport in pursuit of their livelihood.

THE NATIONAL ASSOCIATION OF WOMEN CIVIL SERVANTS

The case that the Association was trying to make under the first heading of the written evidence:—

(i) That the increase would impose undue hardship upon those who use public transport to travel to and from their place of work—

was that increased fares impose particular hardship on the less well-to-do middle class employed persons who have never been well paid, but have always tried to maintain certain standards and whose standards have already been disproportionately depressed since the war. On the whole the section of the public which the Association represents does not consist of people with extravagant tastes; most of their expenditure goes on basic needs. The established officers expect a small pension if they stay the course, but they try to add to it by savings. Many have wholly or partially dependent relatives. In the older groups (above 30) the proportion with dependants has been calculated at roughly 40 per cent. The Association's memorandum also wishes to emphasise the point that travel services affect not only working days, but also week-ends, evenings and holidays, particularly for this group of persons whose recreation is on the modest lines of a trip into the country at the week-end.

(ii) That the proposed increase would add to the cost of living and would result in further wage claims and increased costs in commerce and industry.

Referring to the objections to the claim for increased fares on the grounds of cost of living, if I may take a typical case, a typist is paid at a rate varying from £3 to £7 per week. On an average wage of £5 a week according to the Interim Cost of Living Index which has been in effect since February, 1952, the weighting for Transport Services is 31 out of 91 points which is equivalent to 3s. 1d. a week on a £5 wage. This figure is grossly unrealistic as the average amount spent by an office worker on travelling is 10s. per week, namely 10 per cent. instead of 3 per cent. of her wages. The Cost of Living Index is therefore not a guide to the proportion of pay unavoidably spent on fares. Most claims for wages are now founded upon increases in the cost of living and increased fares are therefore almost bound to result in additional wage claims, which in the present economic state of the country are undesirable.

(iii) That further increases in fares would affect the Government Services adversely by the loss of trained staffs who would obtain local employment rather than travel to London.

In the Association's previous evidence to the Tribunal it was pointed out that young people tend to obtain work locally if the expense of working in London increased beyond a certain point. It is difficult for young typists to exist without subsidies from home as they spend a high proportion of their pay on fares and lunches even though an office canteen may be available which is by no means the rule throughout Government Departments.

From the point of view of the public services it is unsettling and expensive to have constant changes of staff. Recruitment is already more difficult in London than in the provinces and the additional burden of fares which is now proposed for London will aggravate the difficulties of staffing in the public services. High fares payable in the London area are also detrimental to the provincial, Scottish and Irish recruits to the Civil Service who in previous years have regarded London as the goal of their working life.

(iv) That women would suffer additional hardship, since their wages are less than those of men, although their fares for the same journey are identical.

The Association has pointed out that women Civil Servants do not receive equal pay with their male colleagues. They are very underpaid in two senses in that the majority of them are employed in the lower paid grades and that in general they receive about four-fifths of the men's pay at the maximum of the scale. The actual gap in pay continues to widen. It is worth noting also that women's wages in the Civil Service are more greatly differentiated from men's since the war than those of industrial women workers.

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The Association therefore urges the Tribunal to consider sympathetically their plea against the further raising of fares in public transport services which it considers not only excessive in itself, but also detrimental to the public services and to the economic position of the country as a whole.

THE DAGENHAM TRADES COUNCIL

The Dagenham Trades Council, representing 17,000 workers living or working in the Dagenham Area, submits an objection to the British Transport Commission (Passenger) Charges Scheme, 1953, on the grounds that:

- (a) It will inflict hardship on its members.
- (b) That it will disrupt local economy.
- (c) That economies could be made in other ways.

In support of these objections it is submitted that, in regard to Objection (a):

The Transport Tribunal should take notice of the conditions in which the membership of this Trades Council have to use the Transport Facilities provided by the Commission.

A large proportion of these members moved to Dagenham from the London area and, owing to the small industrial development in their new surroundings, continued to be employed and to seek employment outside the area.

It is estimated that 60 per cent. of the working population of Dagenham are employed outside the area.

Consequently large numbers use the early morning facilities which are, and always have been, overcrowded to an extent that is detrimental to health apart from the discomfort.

The homeward journey is made under similar circumstances and it is submitted that the proposed reduction in car miles outlined in Exhibit B.T.C. 501 will considerably aggravate these travelling conditions.

Moreover the contention of the British Transport Commission, mentioned in Statement B.T.C. 5 para. 30, "that there is no adequate justification for early morning fares at a lower level than the standard fares for corresponding journeys made at other hours" should be disregarded until such time as the early morning travelling facilities compare with those obtaining at other hours and that an increase in the early morning fares outlined in Exhibit B.T.C. 505 should accordingly be adjudged unjustified.

Furthermore it is submitted that our members, for whom housing conditions and other causes have made a removal from Dagenham to outlying higher rented estates necessary and who continue to be employed in Dagenham industry, will find that the increases proposed in season tickets and early morning fares especially, are an intolerable burden.

The Transport Tribunal is asked to take note of the lack of shopping facilities in the Dagenham area, which compels housewives to travel to the surrounding districts for this purpose. This fact was at one time recognised by the L.T.E. in that there was a reduced fare between Dagenham and Ilford and Dagenham and Romford between the hours of 10 a.m. and 4 p.m.

The Transport Tribunal should note that the financial position of this working class district has deteriorated considerably versus prices since the increase of fares in 1952. In that period the price of 10 food items in common use had advanced by an average of 36.6 per cent. while wages in the Ford Group had increased 4 per cent.

In support of Objection (b):

It is submitted that the frequent recurrence of these applications is having an adverse effect on local economy.

This is the third fare increase to be applied for since 1951 and the present scheme expressly excludes any alteration resulting from increased wages, changes due to the 1953 Transport Act or increases in running costs.

It is to be expected that these factors will necessitate further applications.

Our members complain that it is impossible to budget for their expenditure in the face of ever-rising prices and the only factor that shows any stability is the weekly wage.

It is submitted that continually rising prices must have the effect of stimulating demands for increased wages which will, in present circumstances, lead to considerable industrial unrest and that the policy of automatically passing on increased costs to the consumer is a short-sighted policy which can only have an adverse effect on the revenue of the Commission and thus aggravate the causes that are advanced as reasons for the present application.

Moreover as the cost of travel becomes the deciding factor in the choice of employment, the resultant fitting of square pegs in round holes will react to the detriment of industrial efficiency.

The Transport Tribunal might consider whether the estimated discounts (Exhibit B.T.C. 510, Appendix C), will not be substantially increased due to people developing other forms of transport and thus render the Scheme abortive in that the fall of revenue from this cause will unbalance the whole calculation.

In support of Objection (c):

The Dagenham Trades Council submits that the application is based on a structure which is the creation of the applicants and which they are not proposing to alter. We submit that the continual demands for increased revenue justifies a request for an inquiry into the structure of the British Transport Commission by a Government Committee on which there should be adequate consumer representation which would be able to recommend economies that otherwise would not be recognised.

In conclusion it is submitted that the proposals of the British Transport Commission should be rejected for the reasons given in this statement.

H. P. CUTTLE, Secretary,
38, Bushgrove Road,
Dagenham, Essex.

The Registrar,
Transport Tribunal,
Watergate House,
15, York Buildings,
Adelphi, W.C.2.

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[Continued

CORRECTION OF EXHIBIT CC/H. 121

				£ 000's
Line 9	Receipts for 1952 adjusted on Mr. Hill's basis, with agreed correction (Q. 5827) ...			67,377
	Adjustment for extent of	(A) <i>Augmentation and Development</i>	(B) <i>Other variations</i>	<i>Total Difference (A) + (B)</i>
		£ 000's	£ 000's	£ 000's
Line 10	Excess of "Y" year over "X-A" year ...	80 (1.1 m. miles @ 18d.)	720	800
Line 11	Excess of "X-A" year over 1952 ...	280 (3.7 m. miles @ 18d.)	-795	-515 (a)
Line 12	Therefore excess of "Y" year over 1952 ...	360 (4.8 m. miles @ 18d.)	-75	285
Line 13	"Y" year receipts based on level of passenger traffic obtaining throughout 1952 appropriately adjusted for variations due to changes in fares, and without loading for Coronation ...			67,662 £67.7m.
Line 14	B.T.C. Estimate, based on experience of 3 months to 30th November, 1952, only and purporting to include loading for Coronation ...			£67.7m.
		Difference ...		Nil plus Coronation
Note (a)—"X-A" year L.T.E. receipts at charges before March, 1952 (CC/H 101. Item 6, Col. 12 minus Col. 2) ...				£ 000's 58,500
Add Yield of increased fares at present levels (CC/H 102. Item 7, Col. 1)...				8,362
"X-A" year L.T.E. receipts adjusted to present level of charge ...				66,862
Deduct 1952 Actual receipts adjusted as in CC/H. 121 (line 9) ...				67,377
Total difference ...				- 515

